



Annual Financial Report

FISCAL YEAR 2019

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Message from the Director



I am pleased to present the FY 2019 Annual Financial Report for the Institute of Museum and Library Services.

For more than two decades, our agency has invested in the essential services of both museums and libraries—organizations that form the backbone of communities

across the United States. From Georgia to Oregon, Texas to Alaska, and across Puerto Rico, the U.S. territories, and the Freely Associated States, IMLS funding helps bring broad access to the information, resources, and networks that people need to thrive.

IMLS designs its grants, research, and capacity building programs for a broad range of institutions. The agency funds libraries of many types: public, research, academic, and tribal, and museums across many disciplines: historical societies, botanical gardens, aquariums, science and technology centers, children's museums, and zoos.

Across the U.S., communities experience the irreplaceable and rich complexity of museums and libraries, from teens exploring a makerspace to community archivists researching the history of their neighborhoods. Veterans seek information about benefits, teachers use a museum's digital collections to engage their students. Community members look to their library for vital information and refuge during times of disaster, and conservation professionals work to save, preserve, and share our nation's stories with us. IMLS funding empowers libraries and museums to touch lives in so many ways.

We continue to learn about and respond to the diverse needs of Americans, adapting our programs to meet the evolving needs of these institutions and providing opportunities that support library and museum professionals. This year reflected our increased focus on the opportunities and challenges of small and rural communities, and we've made key investments in libraries and museums to build their capacity to meet the unique needs of the people they serve.

We also responded to the needs of tribal communities for broadband access and cultural preservation through two national convenings, in addition to our museum and library funding opportunities. And we continue investing in workforce development and learning services for people of all ages, skills, and backgrounds, including veterans and people with differing abilities. One of the tenets of our work is to bring community assets—knowledge, expertise, information, relationships, financial, and spaces—together with libraries and museums to help communities flourish.

We continue to evaluate and improve our capacity-building programs to help build organizational stability among museums and libraries and improve ability to respond to changing dynamics within their communities. For example, we're examining the landscape of capacity-building programs for museums and testing new models for supporting smaller libraries to further build expertise in key service areas.

Once again this year, I can confirm that the agency has met the standards for a reliable and complete internal control structure, including an agency-wide risk management council established to recommend and monitor high-priority investment areas. This is one way that we meet our strategic goal of achieving excellence and serving as a model agency through effective stewardship of our federal resources.

Over the next year, IMLS will continue to respond to the needs and opportunities in the museum and library fields. We'll also continue building an agency culture and operations to become even more of a learning organization.

This shift will enable us to invest in a range of activities, such as early-stage exploratory work, pilots of emerging approaches, and scaling up promising practices or expanding proven programs to broader audiences or new areas of need.

We've made important progress this year. I look forward to building on this throughout FY 2020, working alongside the IMLS team and board, the museum and library fields, and those they serve.

Kathryn K. Matthew

Kathryn K. Matthew, PhD, MBA
Director

SECTION 1

Management's Discussion and Analysis (MD&A)

A. IMLS OVERVIEW AND MISSION

The Institute of Museum and Library Services is an independent grantmaking agency and the primary source of federal support for the nation's libraries and museums.

The mission of IMLS is to advance, support, and empower America's museums, libraries, and related organizations through grantmaking, research, and policy development. Our vision is a nation where museums and libraries work together to transform the lives of individuals and communities.

IMLS was created with the passage of the Museum and Library Services Act of 1996, which was reauthorized on December 31, 2018. The agency has statutory authority to award financial assistance, collect data, form strategic partnerships, and advise policymakers and other federal agencies on museum, library, and information services.

The agency consolidates federal library programs dating back to 1956 with museum programs dating back to 1976.

The agency helps to ensure that all Americans have access to museum, library, and information services. The agency invests in new and exploratory approaches, as well as proven and tested methods. IMLS funds work that advances

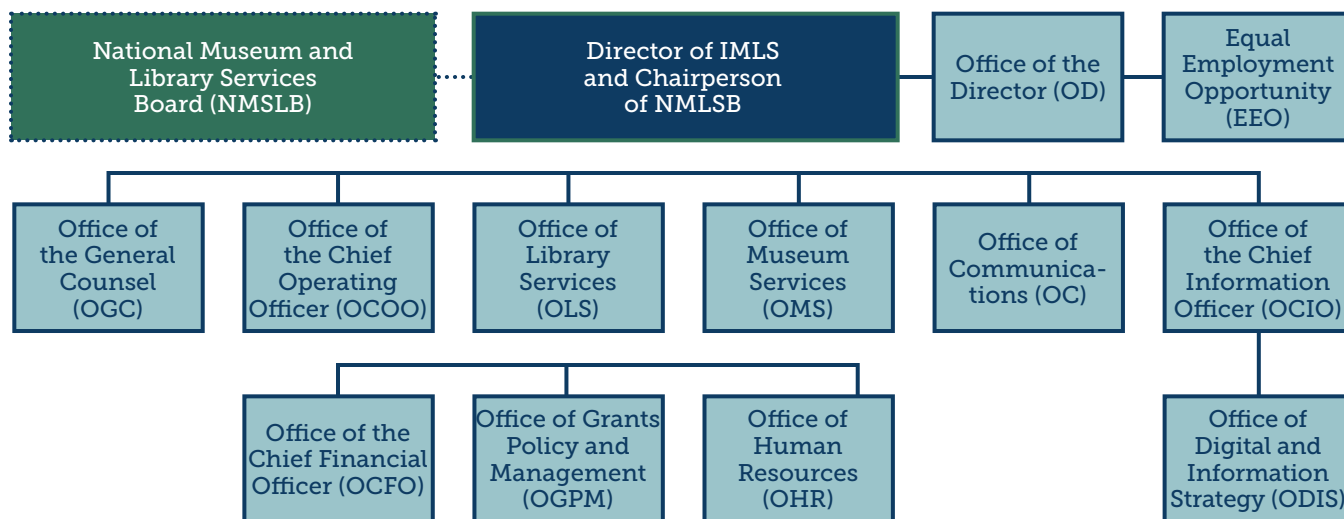
collective knowledge, lifelong learning, and cultural and civic engagement. And the agency builds capacity within the museum and library fields to enable better service to communities and to enhance community decision-making by sharing trends and data.

IMLS has an expansive reach. The agency is the largest source of federal funding for libraries in the nation, directing population-based funding to all 50 states, the District of Columbia, the U.S. territories and Freely Associated States through its Grants to States program. The agency's discretionary grants are selected through a highly respected and competitive peer review process, drawing on professionals located across the nation.

This work enables museums and libraries located in geographically and economically diverse areas to deliver essential services that make it possible for individuals and communities to flourish.

This year, IMLS has chosen to produce an Agency Financial Report (AFR) and an Annual Performance Report (APR) and will include its FY 2019 APR with its Congressional Budget Justification. The agency will also post it on the IMLS website, www.imls.gov, by February 3, 2020.

IMLS Organizational Chart



B. STRATEGIC GOALS

When IMLS was established by the Museum and Library Services Act of 1996, bringing together federal programs dating back to 1956, lawmakers recognized that U.S. libraries and museums are powerful national assets. They saw “great potential in an Institute that is focused on the combined roles that libraries and museums play in our community life.” The law charges IMLS with advising policymakers on library, museum, and information services and supporting a wide range of programs that improve the lives of millions.

We carry out this charge as we adapt to meet the changing needs of our nation’s museums and libraries and their communities. IMLS’s role—to advance, support, and empower America’s museums and libraries through our grantmaking, research, data collection, and policy development—is essential to helping these institutions navigate change and continue to improve their services.

The agency’s strategic goals and objectives are outlined in Transforming Communities, the IMLS Strategic Plan 2018-2022. This plan, developed with input from our stakeholders, frames how we envision meeting the essential information, education, research, economic, cultural, and civic needs of the American public over the next five years.

STRATEGIC GOALS AND OBJECTIVES

- 1. Promote Lifelong Learning.** IMLS supports learning and literacy for people of all ages through museums and libraries.
 - 1.1 Enhance library and museum resources that foster early, digital, information, health, financial, media, civic, and other types of literacies.
 - 1.2 Support cross-disciplinary and inquiry-based methods of learning within museums and libraries.
 - 1.3 Invest in library and museum programs that focus on continuous learning for families and individuals of diverse cultural and socio-economic backgrounds and needs.
 - 1.4 Leverage the distinct role of museums and libraries as trusted sources of information.
- 2. Build Capacity.** IMLS strengthens the capacity of museums and libraries to improve the well-being of their communities.
 - 2.1. Support the recruitment, training, and development of library and museum staff, boards, and volunteers, helping to grow a skilled, professional workforce.
 - 2.2. Encourage library and museum professionals and institutions to share and adopt best practices and innovations.
 - 2.3. Identify trends in the museum and library fields to help organizations make informed decisions.
 - 2.4. Promote the ability of museums and libraries to serve as trusted spaces for community engagement and dialogue.
- 3. Increase Public Access.** IMLS makes strategic investments that increase access to information, ideas, and networks through libraries and museums.
 - 3.1. Support the stewardship of museum and library collections at institutions of all types and sizes.
 - 3.2. Invest in tools, technology, and training that enable people of all backgrounds and abilities to discover and use museum and library collections and resources.
 - 3.3. Invest in policies and partnerships that address barriers to accessing museum and library collections, programs, and information.
 - 3.4. Increase access to IMLS, museum, library, and community knowledge through effective communications.
- 4. Achieve Excellence.** IMLS strategically aligns its resources and relationships to support libraries and museums nationwide.
 - 4.1. Support the stewardship of museum and library collections at institutions of all types and sizes.
 - 4.2. Invest in tools, technology, and training that enable people of all backgrounds and abilities to discover and use museum and library collections and resources.
 - 4.3. Invest in policies and partnerships that address barriers to accessing museum and library collections, programs, and information.
 - 4.4. Increase access to IMLS, museum, library, and community knowledge through effective communications.

C. SCOPE

LIBRARY SERVICES

The Museum and Library Services Act (20 U.S.C. § 9171) authorizes the Office of Library Services to:

- to enhance coordination among Federal programs that relate to library, education, and information services;
- to promote continuous improvement in library services in all types of libraries in order to better serve the people of the United States;
- to facilitate access to resources in all types of libraries for the purpose of cultivating an educated and informed citizenry;
- to encourage resource sharing among all types of libraries for the purpose of achieving economical and efficient delivery of library services to the public;
- to promote literacy, education, and lifelong learning, including by building learning partnerships with school libraries in our Nation's schools, including tribal schools, and developing resources, capabilities, and programs in support of State, tribal, and local efforts to offer a well-rounded educational experience to all students;
- to enable libraries to develop services that meet the needs of communities throughout the Nation, including people of diverse geographic, cultural, and socioeconomic backgrounds, individuals with disabilities, residents of rural and urban areas, Native Americans, military families, veterans, and caregivers;
- to enable libraries to serve as anchor institutions to support community revitalization through enhancing and expanding the services and resources provided by libraries, including those services and resources relating to workforce development, economic and business development, critical thinking skills, health information, digital literacy skills, financial literacy and other types of literacy skills, and new and emerging technology;
- to enhance the skills of the current library workforce and recruit future professionals, including those from diverse and underrepresented backgrounds, to the field of library and information services;
- to ensure the preservation of knowledge and library collections in all formats and enable libraries to serve their communities during disasters;
- to enhance the role of libraries within the information infrastructure of the United States in order to support research, education, and innovation;
- to promote library services that provide users with access to information through national, State, local, regional, and international collaborations and networks; and
- to encourage, support, and disseminate model programs of library and museum collaboration.

Grants to States

Process

The library Grants to States program awards population-based formula grants to each State Library Administrative Agency (SLAA) in the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands (20 U.S.C. § 9131). The formula consists of a minimum allotment set by law plus a supplemental amount based on population (dependent on annual appropriations). Population data are based on the information available from the U.S. Census Bureau.

The 2018 Act increased minimum allotments for states from \$680,000 to \$1,000,000, and for Pacific territories, from \$60,000 to \$100,000. Increases to the minimum allotments are dependent on increases to the program's budget, which was level funded in FY 2019. The Act limits administrative costs at the state level to four percent and requires a 34 percent match from non-federal state or local funds.

Programs and services delivered by each SLAA support the purposes and priorities set forth in the Library Services and Technology Act (LSTA). SLAAs must complete five-year plans, conduct a five-year evaluation based on these plans, and report annually to IMLS on their progress in strengthening library services, which helps improve practice and inform policy. SLAAs set goals and objectives for their states regarding the use of Grants to States funds within the statutorily required five-year plan approved by IMLS. These goals and objectives are determined through a planning process that includes statewide needs assessments.

Use of Funds

State Library Administrative Agencies take special precautions to ensure that federal funds do not supplant state investments. SLAAs may use their funding for:

- expanding services for learning and access to information and educational resources in a variety of formats, including new and emerging technology, in all types of libraries, for individuals of all ages, in order to support such individuals' needs for education, lifelong learning, workforce development, economic and business development, health information, critical thinking skills, digital literacy skills, and financial literacy and other types of literacy skills;
- establishing or enhancing electronic and other linkages and improved coordination among and between libraries and entities, for the purpose of improving the quality of and access to library and information services;
- providing training and professional development, including continuing education, to enhance the skills of the current library workforce and leadership, and advance the delivery of library and information services;
- enhancing efforts to recruit future professionals, including those from diverse and underrepresented backgrounds, to the field of library and information services;

- developing public and private partnerships with other agencies, tribes, and community-based organizations;
- targeting library services to individuals of diverse geographic, cultural, and socioeconomic backgrounds, to individuals with disabilities, and to individuals with limited functional literacy or information skills;
- targeting library and information services to persons having difficulty using a library and to underserved urban and rural communities, including children from families with incomes below the poverty line;
- developing library services that provide all users access to information through local, State, regional, national, and international collaborations and networks; and
- carrying out other activities as described in the State library administrative agency's plan.

Support for Pacific Territories and Freely Associated States

Under the 2010 Library Services and Technology Act, grants to the Pacific Territories and the Freely Associated States were made pursuant to a Special Rule, 20 U.S.C. § 9131(b)(3), that established a separate grants process for the Pacific region and the U.S. Virgin Islands. There were seven eligible entities for grants made available in this way: the U.S. territories of Guam, American Samoa, the Commonwealth of Northern Mariana Islands, and the U.S. Virgin Islands, and the Freely Associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

The allotment amounts for the Freely Associated States supported the grants program, and Territories could apply for these funds, in addition to their Grants to States allotments. Up to five percent of this program's funding was set aside for Mid-Continent Research for Education and Learning to administer the process. Projects funded through this mechanism supported the Library Services and Technology Act purposes.

The 2018 Act modified the Special Rule, and FY 2019 was the last year of funding through this separate mechanism. To reduce administrative costs and burden, all entities that had been eligible for the program under the Special Rule will receive allotments through the Grants to States program.

Discretionary Grants

The Office of Library Services offered six funding opportunities in FY 2019:

- **National Leadership Grants** for Libraries invest in projects that address challenges faced by the library and archives fields and generate results such as new tools, research findings, or models that can be widely used.
- **Accelerating Promising Practices for Small Libraries (APP)**, a special initiative of National Leadership Grants for Libraries, supports projects that strengthen the ability of small and/or rural libraries and archives to serve their communities and to build grantee capacity through participation in a community of practice.
- **Native American Library Services Basic Grants**, which are awarded non-competitively, are available to eligible Native American and Native Alaskan organizations and may support existing library operations and/or maintain core library services.
- **Native American Library Services Enhancement Grants**, which are awarded competitively, can be used to enhance existing library services or to implement new services.
- **Native Hawaiian Library Services Grants** may be used for existing library services or to implement new library services.
- **Laura Bush 21st Century Librarian Program** supports professional development and training projects for libraries and archives.

Office of Library Services Highlights

- To encourage small and rural library applicants and strengthen their abilities to serve their communities, IMLS launched a new funding opportunity in 2019, Accelerating Promising Practices for Small Libraries (APP). The first 30 awards totaling \$1.2 million under this funding opportunity within the National Leadership Grants for Libraries will address the unique needs identified by tribal, rural, and small libraries. APP will also build grantee capacity through participation in a mentored community of practice based on their project category: School Library Practice, Community Memory, or Digital Inclusion.
- A state library project in Minnesota developed partnerships between public libraries and coin laundromats to test new models of early literacy outreach using Grants to States funds. This successful pilot was expanded through FY 2019 National Leadership Grants for Libraries funding.
- IMLS funded a third phase of its Measures that Matter cooperative agreement with the Chief Officers of State Library Agencies. This phase's pilot evaluative study will investigate what measures are meaningful and actionable to illuminate the contributions of library-based workforce development activities within their communities. It will build a foundation by assessing whether this approach can be used to measure the contributions of other library service activities related to community wellbeing.
- To further scale promising work with citizen science resources and public libraries, IMLS strengthened investments in low-cost toolkits that circulate in libraries in support of citizen science projects. This supplemental National Leadership Grant to Arizona State University will continue progress made since 2017.

- IMLS hosted and participated in two key stakeholder meetings in 2019 to enhance the agency's service to tribal communities. An IMLS Tribal Libraries Convening in June helped to identify shared needs in order to expand opportunity, access, and connectivity to Indian Country, and a National Tribal Broadband Summit was carried out as part of the American Broadband Initiative.
- In addition to project-based grants, IMLS continues to fund early career research. An FY 2019 award to Louisiana State University faculty will research effective practices to help archivists assist veterans and active duty personnel in preserving their personal digital archives, since contemporary soldiers no longer create and maintain analog personal archives as they did in the past.
- IMLS funded the University of Illinois at Urbana-Champaign University Library to develop a three-year continuing education program to train academic library practitioners to address privacy and related ethical implications of learning analytics projects. Laura Bush 21st Century Librarian Program funds will support face-to-face and online trainings of 200 participants each and make the training curriculum openly available.

Funding Snapshot

Grants to States			
PROGRAM	NUMBER OF AWARDS	FUNDS AWARDS	AWARDEE MATCH
Grants to States	56	\$160,545,464	\$82,506,932
Grants to States for Pacific Territories, Freely Associated States and the Virgin Islands	7	\$250,436	\$92,916*

*Only includes match from the Freely Associated States; no match is required from the territories.

Total for all Discretionary Programs*				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
833	329	\$83,852,359	\$28,483,000	\$4,921,053

*Please note that match requirements vary by program.

By Program

Laura Bush 21st Century Librarian Program					
NUMBER OF PRELIMINARY PROPOSALS	NUMBER OF INVITED APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
96	45	32	\$30,856,572	\$10,014,000	\$2,524,518

National Leadership Grants for Libraries*					
NUMBER OF PRELIMINARY PROPOSALS	NUMBER OF INVITED APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
155	83	50	\$40,334,698	\$12,069,419	\$1,828,468

*This program has common interests and so is reflected in both the Library Services and Museum Services budget tables.

Accelerating Promising Practices for Small Libraries*

NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
144	30	\$5,916,490	\$1,286,581	\$405,785

*A funding opportunity within the National Leadership Grants for Libraries program.

National Medal for Library Service*

NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
86	5	N/A	\$50,000	N/A

*Funded through the National Leadership Grants for Libraries program.

Native American and Native Hawaiian Library Service Programs*

PROGRAM	NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
Basic Grants (non-competitive)	188	188	\$1,960,416	\$1,960,416	\$0
Enhancement Grants	33	21	\$4,366,164	\$2,684,565	\$85,728
Native Hawaiian	3	3	\$418,019	\$418,019	\$76,554
Total	224	212	\$6,744,599	\$5,063,000	\$162,282

*Matching funds are not required for Basic Grants.

MUSEUM SERVICES

The Museum and Library Services Act (20 U.S.C. § 9171) authorizes the Office of Museum Services to

- encourage and support museums in carrying out their educational role, as core providers of learning and in conjunction with schools, families, and communities;
- encourage and support museums in carrying out their public service role of connecting the whole of society to the cultural, artistic, historical, natural, and scientific understandings that constitute our diverse heritage;
- encourage leadership, innovation, and applications of the most current technologies and practices to enhance museum services through international, national, regional, State, and local networks and partnerships;
- assist, encourage, and support museums in carrying out their stewardship responsibilities to achieve the highest standards in conservation and care of the diverse cultural, historic, natural, and scientific heritage of the United States to benefit future generations;
- assist, encourage, and support museums in achieving the highest standards of management and service to the public, and to ease the financial burden borne by museums as they serve their communities in new and different ways;
- support resource sharing and partnerships among museums, libraries, schools, and other community organizations;
- encourage and support museums as a part of economic development and revitalization in communities;
- ensure museums of various types and sizes in diverse geographic regions of the United States are afforded attention and support;

- support efforts at the State and regional levels to leverage museum resources and maximize museum services; and
- assist museums in their civic engagement efforts to ensure that every person in the United States has access to high-quality museum services.

IMLS also conducts a grant program with the purpose of improving operations, care of collections, and development of professional management at African American museums, pursuant to the National Museum of African American History and Culture Act (20 U.S.C. § 80r-5).

Discretionary Grants

The Office of Museum Services offered six competitive funding opportunities in FY 2019:

- **Museums for America** supports activities that strengthen museums as active resources for lifelong learning, vital components of livable communities, and exemplary stewards of the nation's collections.
- **Inspire! Grants for Small Museums** is a special funding opportunity within the Museums for America program. It is designed to help small museums implement projects that address priorities identified in their strategic plans.
- **Museums Empowered** is a special funding opportunity within the Museums for America program that supports activities for professional development and capacity building in individual museums. The funding opportunity focuses on four areas of relevant needs in the museum field: Digital Technology, Diversity and Inclusion, Evaluation, and Organizational Management.
- **National Leadership Grants for Museums** support projects that address critical needs of the museum field and that have the potential to advance practice in the profession so museums can improve services for the American public. In addition to museums, related organizations such as museum associations, colleges and universities, and some foundations and nonprofit organizations may be eligible to apply for grants in this funding program under five project categories: Collections Care and Public Access; Data, Analysis, and Assessment; Digital Platforms and Applications; Diversity and Inclusion; and Professional Development.
- **Native American/Native Hawaiian Museum Services** grants to Indian tribes and organizations that primarily serve and represent Native Hawaiians enhance museum services to sustain heritage, culture, and knowledge through exhibitions, educational services and programming, professional development, and collections stewardship.
- **Museum Grants for African American History and Culture** support activities that build the capacity of African American museums and support the growth and development of museum professionals at African American museums.

Office of Museum Services Highlights

- The Office of Museum Services supported projects in 48 states and the District of Columbia through its discretionary grants, National Medals for Museum Service awards, and cooperative agreements. Applications to museum funding programs increased by 15 percent from 819 to 938.
- The Inspire! Grants for Small Museums program, designed to encourage small institutions to apply for IMLS funding, generated 202 applications in its first year. IMLS awarded 30 grants totaling \$1.1 million, representing 15 percent of the applicant and demonstrating a need for continued support for the nation's small museums.

- In order to align funding categories with evolving trends and needs of the museum sector, the agency revised its grant project categories across several funding programs. A significant number of applicants sought support for diversity and inclusion, professional development initiatives, data analysis, assessment, and evaluation.
- An interagency agreement with the U.S. Department of Education provided funding of \$1.9 million to IMLS in collaboration with New York Hall of Science. The funding will scale up work with eight museums across the country, sharing after-school STEM-based learning opportunities with up to 1,000 underserved students in 21st Century Community Learning Centers.
- IMLS launched three research and evaluation studies designed to better understand its investments, identify gaps and opportunities, and enhance its funding opportunities for the museum field: an evaluation of the Museum Grants for African American History and Culture program, now in its thirteenth year; a market analysis and opportunity assessment of museum capacity-building programs; and an analysis and synthesis of multi-year awarded grants.
- To increase education about IMLS funding opportunities in remote areas and states with low participation numbers, the agency offered six regional grant-writing workshops for museums across the nation. Nearly 200 potential applicants attended the full-day workshops, including many small institutions and those who had not previously applied to IMLS for funding.
- IMLS held convenings with grantees of the African American History and Culture program and the Native American and Native Hawaiian program. A total of 92 grantees from both programs attended the convenings respectively, shared their projects' progress, successes and challenges and learned from their peers.

Funding Snapshot

Total Grants for all Discretionary Programs				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
938	219	\$134,651,634	\$34,866,129	\$39,299,492

By Program

Museums for America				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
449	112	\$74,488,442	\$19,091,464	\$23,379,553

Inspire! Grants for Small Museums*				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
202	30	\$8,634,902	\$1,172,324	\$588,304

*A special funding opportunity within Museums for America. Matching funds are not required for this program.

Museums Empowered*				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
62	18	\$9,367,363	\$2,635,212	\$4,182,051

*A special funding opportunity within Museums for America.

National Leadership Grants for Museums				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
78	22	\$34,630,347	\$8,214,129	\$8,174,249

National Medals for Museum Service*				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
81	5	N/A	\$50,000	N/A

*The National Medals for Museum Service are funded through National Leadership Grants for Museums.

Native American/Native Hawaiian Museum Services Program				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH*
29	18	\$2,689,197	\$1,472,000	\$461,874

* Matching funds are not required for this program.

Museum Grants for African American History and Culture				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
37	14	\$4,841,383	\$2,231,000	\$2,513,461

Cross-agency Collaboration

Community Catalyst Initiative

Now in its third year, the flagship Community Catalyst Initiative challenges museums and libraries to transform how they collaborate with their communities towards improving wellbeing. It seeks to develop robust tools and approaches, expanding on those already in use by community development practitioners, in order to build capacity in libraries and museums. The multipronged initiative launched in 2016 after an initial scan that documented community engagement activities conducted by museums and libraries. A cross-sector “town hall” then gleaned deeper insights into capacity-building opportunities and needs expressed by representative museum and library attendees.

All components of this work seek to identify community assets that museums and libraries can leverage and combine with their own unique knowledge, information, and expertise to advance positive community change. The work includes: STEMeX (2016), Community Salute (2016), 2017 and 2018 competitive grant awards, and a 2019 study on social wellbeing.

Given a common, cross agency vision, this Initiative’s efforts have been supported from several IMLS funding sources—the Offices of the Chief Information Officer, Library Services, and Museum Services.

The Community Catalyst grantees have benefitted from IMLS-funded capacity building and training in asset based community development, a methodology for sustainable, self-directed development of communities based on identifying the knowledge, skills, and resources of individuals, resident associations, neighborhoods, and organizations. The grantees have also received training in developmental evaluation which enables them to more easily chart the effects and progress of their work throughout the life of their funded projects. IMLS funded a cohort evaluation of the Community Catalyst Initiative to assess the effects of these capacity-building strategies on each grantee, its organization and its community partners.

In FY 2019, IMLS conducted in-depth workshops across five states that drew upon the knowledge

of museum and library leaders to deepen the outcomes of this initiative. These events helped to validate and refine a suite of tools and approaches that IMLS will share in FY 2020 to benefit the practitioners and researchers within museum and library fields more broadly.

Under the umbrella of the initiative, a National Study on Museums, Libraries, and Social Wellbeing was launched in August 2018 to gain a better understanding of the conditions under which museums and libraries contribute to their communities' wellbeing. This new study focuses on the essential roles museums and libraries play within their communities in order to help these institutions to identify opportunities for more clearly defining and assessing the impacts of their programs and services. The study will consider wellbeing across economic and social factors including personal health and educational attainment. The results of this study will serve as a baseline for additional research in this area.

National Medal for Museum and Library Service

The National Medal for Museum and Library Service is the nation's highest honor for institutions that make significant and exceptional contributions to their communities. Since 1994, IMLS has presented the award to institutions that demonstrate extraordinary and innovative approaches to community service.

In FY 2019, IMLS made 10 awards to five museums and five libraries for their outstanding service to their communities, presented at a ceremony in Washington, DC, in June. Funding for the program is shared between the Office of Museum Services and the Office of Library Services.

COOPERATIVE AGREEMENTS

The **Museum Assessment Program (MAP)** is a cooperative agreement with the American Alliance of Museums to help small and medium-sized museums assess their strengths and weaknesses in order to meet professional standards, grow and work towards sustainability. In 2019, a redesigned MAP program was launched, featuring five assessments with special focus to meet relevant needs of the museum in collections stewardship, community engagement, board leadership, education, and organizational capacity. Program improvements include an increase in the number of museums served each year; follow-up assistance for more participating museums; recruitment of new reviewers; and additional support, mentoring and resources. In FY 2019, 62 museums in 32 states participated in MAP.

Collections Assessment for Preservation (CAP) provides small and mid-sized museums with an assessment of the institution's collections, buildings, and building systems, as well as policies and procedures relating to collections care. CAP is administered by the Foundation for Advancement in Conservation with support from IMLS. In FY 2019, 79 museums from 35 states and territories participated in the CAP program.

Museums for Digital Learning enables museums of all sizes and disciplines to more broadly share digitized collections and other resources with K-12 schools across the country. In 2019, IMLS partnered with the Indianapolis Museum of Arts/Newfields, the Field Museum, History Colorado, and ten K-12 educators to initiate a multi-layered, iterative, and co-creative process to develop a user-centric platform and sample suite of digital educational resources. The platform and educational resources will be tested in the classrooms of the ten educators. Ten additional museums will validate the pilot platform and the products for ease of use and adaptability.

Museums for All, a collaboration with the Association of Children's Museums, provides free or reduced admission to families with EBT and SNAP cards through participating museums. In FY 2019, the project made significant strides with the launch of a new website at www.museums4all.org and production of two testimonial videos—deliverables aimed to increase recruitment of additional museums and raise awareness of the benefit of museum visits to families. Museums from hub cities, where multiple museums are participating in the program, convened to share best practices and learnings. The project also exceeded its annual target goals in increasing both the number of visitors and participating museums. To date, the program is offered through 459 museums in 48 states, the District of Columbia, and the U.S. Virgin Islands, and has attracted over 2.2 million visitors.

Building a National Network of Museums and Libraries for School Readiness, an early learning collaboration with the Boston Children's Museum, will build the professional capacity of museums, libraries, and early learning providers across six states. The scaled-up project will reach a broad professional audience with proven practices and strengthen essential partnerships. A third-party evaluation will assess the project's successes and challenges.

A Market Analysis and Opportunity Assessment of Museum Capacity-Building Programs is exploring the full scope of capacity-building programs available to the museum field. In collaboration with an expert evaluator, IMLS will gather comprehensive information to identify needs for capacity building support, identify potential gaps in the suite of current capacity-building offerings, and identify new opportunities and areas for growth. A final report will include an analysis of the data collection, a prioritization of key findings, and recommendations for the museum field.

Measures that Matter is a collaboration with the Chief Officers of State Library Agencies (COSLA) to examine, evaluate, and map public library data collection practices in the United States. With additional funding in FY 2019, this cooperative agreement adds a new evaluation component that studies potential relationships between public library activities and community outcomes to better inform the public library sector. The evaluation will focus in on library activities relating to workforce development, a contributing factor to community wellbeing. It will help the public library sector use data or identify gaps in the ways that services, programs, and collections relate to communities' needs and emergent opportunities.

Mentored Internships for Diversity is a collaboration with the American Library Association's Public Library Association (PLA). Through an extension to an existing cooperative agreement, PLA will offer a fourth year of its Inclusive Internship Initiative. To date, PLA has used IMLS funds to provide 117 public libraries in 42 states with the opportunity to offer paid, mentored internships to 152 high school students from diverse backgrounds. The program is designed to introduce interns to careers in librarianship through a summer-long learning project, while also building the capacity of their mentor librarians and host libraries. Supplemental funds will expand this opportunity to 50 additional libraries and give PLA the opportunity to leverage data, experience, and field engagement generated over the three previous cohorts to explore program impacts, test multiple models of sustainability, and increase the reach of the program to more rural and tribal communities.

The National Student Poets Program (NSPP) is one of the nation's highest honors for youth poets presenting original work. A collaboration with the Alliance for Young Artists & Writers, the program strives to inspire other young people to achieve excellence in their own creative endeavors and promote the essential role of writing and the arts in academic and personal success. The program links the

National Student Poets with audiences and neighborhood assets such as museums, libraries, and other community anchor institutions. NSPP builds upon the Alliance for Young Artists & Writers' long-standing work with educators and creative teens through the Scholastic Art & Writing Awards. In 2019 the Poets' appointment week events featured over 20 alumni from the program's past seven years.

StoryCorps, a national non-profit organization dedicated to recording and sharing the stories of Americans from all backgrounds, was engaged to capture testimonials from the 2018 and 2019 National Medal winners. The StoryCorps team visited ten museum and libraries across the nation and conducted interviews with staff and community members about the transformative work with and the impact of these institutions in their communities. These stories are meant to inspire other museums and libraries to reimagine their roles as community anchors and catalysts.

Evaluation cooperative agreements will strengthen work related to the Accelerating Promising Practices for Small Libraries program. Three mentor organizations will work with cohorts of grantees to develop communities of practice and provide training, coaching, and other support. These organizations include Wisconsin Library Services for the Community Memory cohort, Kansas City Public Library for the Digital Inclusion cohort, and OCLC for the Transforming School Library Practice cohort. A fourth cooperative agreement with an external evaluator will provide an assessment of the entire grant program. The evaluation will help IMLS and the library field better understand the efficacy of various capacity-building methods to help libraries and archives to address issues important to their communities.

INTERAGENCY COLLABORATION

The Museum and Library Services Act authorizes IMLS to enter into interagency agreements to promote or assist with the museum, library, and information services-related activities of other Federal agencies (20 U.S.C. § 9103). Recognizing the role of museums and libraries as anchor institutions, the Act directs the agency to coordinate and work jointly with other Federal departments and agencies on:

- initiatives, materials, technology, or research to support education, workforce development, economic and business development, and related activities and services undertaken by libraries;
- resource and policy approaches to eliminate barriers to fully leveraging the role of libraries and museums in supporting the early learning, literacy, lifelong learning, digital literacy, workforce development, and education needs of the people of the United States; and
- initiatives, materials, technology, or research to support educational, cultural, historical, scientific, environmental, and other activities undertaken by museums.

Preservation of National Collections

IMLS partnered with the **National Park Service**, the **National Endowment for the Humanities**, and the **National Endowment for the Arts** to support **Save America's Treasures**, a grant program designed to preserve and protect nationally significant historic properties and collections throughout the country. Congress appropriates funding for the Save America's Treasures grants from the Historic Preservation Fund, which uses revenue from federal oil leases to provide a range of preservation assistance without expending tax dollars. In FY 2019, the program awarded 41 grants in 23 states, totaling \$12.6 million. IMLS will manage 13 of the awards that support collections preservation, totaling \$2,476,575.

Maker/STEM Education

In partnership and with financial support from the **U.S. Department of Education**, IMLS helped the New York Hall of Science expand the scope and scale of **Maker/STEM Education Support for 21st Century Community Learning Centers**. Museum educators from eight museums and science centers in New York, Pennsylvania, Oregon, Florida, Wisconsin, Arkansas, Texas, and Arizona will train staff at afterschool centers to engage up to 1,000 underserved elementary and middle school students in STEM-based making activities. A third-party evaluator will assess the outcomes of the project, including changes in interest, skills, and behaviors related to STEM and making among youth participants. Serving New Americans

Serving New Americans

A memorandum of understanding between IMLS and the **U.S. Citizenship and Immigration Services** supports cross-cultural understanding and learning opportunities by sharing information with libraries and museums on citizenship rights and responsibilities through webinars and other opportunities and materials.

National Book Festival

Through support to the **Library of Congress**, as well as through a cooperative agreement with the Chief Officers of State Library Agencies, IMLS, along with the National Endowment for the Humanities, funded the National Book Festival's Parade of the States. Representatives from state libraries and Centers for the Book across the country interact with festival attendees of all ages, providing information on each state's literary heritage, its local libraries, local authors and reading, and careers and opportunities in library and information science. The Parade of the States is one of the most highly attended activities at the National Book Festival, with a diverse audience of families, teachers, and students who identify with states across the U.S. This year, the Parade of States stage also featured presenters from IMLS-funded projects related to accessible story times, library interns from diverse backgrounds, and state libraries.

Digital Humanities Advancement Grants

Through a partnership with the **National Endowment for the Humanities (NEH)**, IMLS supports Digital Humanities Advancement Grants, an NEH program that enhances scholarly research, teaching, and public programming in the humanities. IMLS funding to this program encourages innovative collaborations between library and archival professionals, humanities professionals, and relevant communities to empower learning, foster civic cohesion, and strengthen knowledge networks. These collaborations advance preservation of, access to, use of, and engagement with digital humanities collections and services that enrich individuals' understanding of the world, support critical and creative thinking, and inform decision-making.

POLICY RESEARCH, ANALYSIS, DATA COLLECTION, AND DISSEMINATION

IMLS is authorized to support and conduct policy research, data collection, analysis and modeling, evaluation, and dissemination of information to extend and improve the Nation's museum, library, and information services (20 U.S.C. § 9108). The Act identifies the following objectives:

- To enhance and expand the capacity of museums, libraries, and information services to anticipate, respond to, and meet the evolving needs of communities and the public, including by identifying trends and developments that may impact the need for and delivery of services.
- To provide information and data on the role, value, and impact of museum, library, and information resources, including the identification of trends and the potential gaps in the availability and use of museum and library services by their communities and the public.
- To measure the effectiveness of museums, libraries, and information services throughout the United States, including the impact of Federal programs authorized under the Act.

- To identify indicators and outcomes that can be used to create enhancements to the efficiency and efficacy of museum, library, and information services.
- To promote advancement and growth in museum, library, and information services through sharing of best practices and effective strategies in order to better serve the people of the United States.
- To facilitate planning for, and building of, institutional capacity in order to improve museum, library, and information services at the national, State, local, and regional levels; and international communications and cooperative networks.

In carrying out these objectives, IMLS engages with the State Library Administrative Agencies, networks of museums and libraries, as well as national, state, tribal, and regional museum and library organizations.

The agency produces evaluations and performs data collection and analysis to inform policy decisions and support the museum and library fields of practice. These efforts identify trends, important comparisons, and enable objective policymaking at the national and state levels. The primary data products maintained by IMLS are the Public Libraries Survey and the State Library Administrative Agency Survey.

- **The Public Libraries Survey (PLS)** has been conducted annually since 1988 and is a definitive source on the state of public libraries in the United States. PLS data provides key information on over 9,000 public library systems and 17,000 public library outlets nationwide.

Over the past year, IMLS enhanced the PLS by continuing improvements for its data collection and data utilization practices. These include three commissioned research studies that explored methodological discussions around sampling and survey item development within the federal context. They also involved development of a new Library Search and

Compare Tool, which helps users explore funding, staffing, and other information about public libraries across the U.S.

- **The State Library Administrative Agency (SLAA) Survey** has been collected annually since 1994 and biennially after 2010. The SLAA survey is a definitive source on the state of state library agencies in the United States and provides key information on the state library agencies in all 50 states and the District of Columbia. These collected data may be used by policymakers in the executive and legislative branches of federal and state governments; government and library administrators at the federal, state, and local levels; the Chief Officers of State Library Agencies (COSLA); members of professional library associations; library and public policy researchers, journalists, and others in the public.
- In 2019, IMLS released **Protecting America's Collections**, a report based on the Heritage Health Information Survey of the nation's approximate 31,000 collecting institutions. Following up on a 2004 study, this investigation provides critical insights into how institutions that hold the national heritage in trust progressed over ten years in the level of care they provide to invaluable items.
- **Evaluation of the African American History and Culture Grant Program:** The Museum Grants for African American History and Culture program (AAHC program) builds the capacity of African American museums and supports the growth and development of museum professionals at African American museums. The first AAHC grants were awarded in 2006, and since that time, IMLS has awarded 179 grants totaling \$17,551,735 of federal funds and \$20,861,925 in matching funds. In 2019, IMLS launched a retrospective evaluation of this grant program with the goal of learning how IMLS funding has thus far impacted the sector, as well as identifying gaps and opportunities that can be addressed to further improve the program outreach and impact.

- **Analysis and Synthesis of Internal Scans of Office of Museum Services' awarded grants:** Adopting a more data-based decision-making strategy, a new data analysis effort was launched in 2019 to organize and synthesize multi-year awarded grant information and completed reports in the Office of Museum Services. The awarded grants hold important

quantitative and qualitative data that can shed critical insights for IMLS and the sector on the short and long term impacts the projects are making in the communities, resulting products and best practices from the projects that can be shared broadly as well as gaps and challenges that still need to be addressed.

D. BRIEF ANALYSIS OF FINANCIAL STATEMENTS

Underlying the agency's many programmatic achievements is its commitment to organizational excellence and sound financial management. IMLS has a fiduciary and stewardship responsibility to manage its federal funds effectively and efficiently and comply with federal financial management guidance. As part of this responsibility, the agency prepares annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The principal financial statements have been prepared to report the financial position and results of operations for IMLS. The FY 2019 financial statements and accompanying notes are presented in accordance with OMB Circular A-136, Financial Reporting Requirements, and are shown in comparative formats.

To ensure the integrity and reliability of the annual financial statements, IMLS subjects them to an annual independent audit. Figure 1 below summarizes the IMLS financial position in FY 2019.

Figure 1: IMLS FY 2019 Financial Position (\$ in millions)

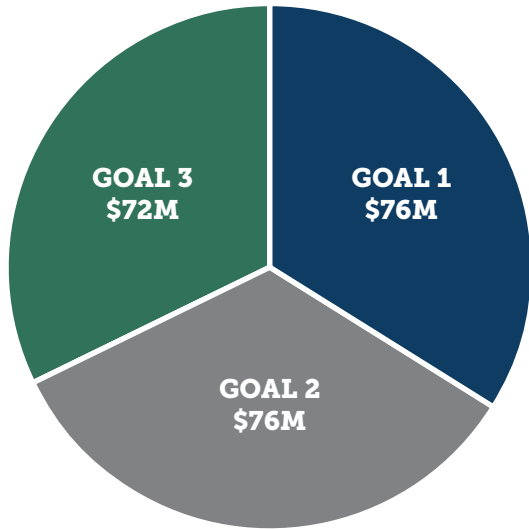
Net Financial Condition	FY 2019 (\$)	FY 2018 (\$)	Increase/Decrease (\$)	Change (%)
ASSETS	314.7	302.3	12.4	4.1
LIABILITIES	37	31.9	5.1	16
NET POSITION	277.7	270.4	7.3	2.6
NET COST	232	227.8	4.2	1.8

IMLS received increased appropriations in the last two fiscal years resulting in additional awards and an increase to the fund balance with Treasury in the Assets line and an increase in the unexpended appropriations amount in the Net Position line. The grant awards made with the additional funding will incur expenses over multiple years. The expenses incurred in FY 2019 resulted in an increase to both the grant accrual in the Liabilities line and the gross costs on the Statement of Net Cost.

Figure 2 below summarizes the FY 2019 grant award obligations by Strategic Goal.

Figure 2: FY 2019 Grant Obligations

FY 2019 Grant Awards issued by Strategic Goal
(\$ in millions)



Goal 1: Promote Lifelong Learning

Goal 2: Build Capacity

Goal 3: Increase Public Access

STEWARDSHIP INVESTMENTS

IMLS investments in research and development yield long-term benefits to the public.

LIMITATIONS OF FINANCIAL STATEMENTS

IMLS has prepared the principal financial statements to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

E. MANAGEMENT ASSURANCES

OVERALL INTERNAL CONTROL

IMLS recognizes the importance of establishing and maintaining adequate controls over its programs and administrative functions. Management continues to evaluate and modify existing controls—and establish new ones as appropriate—to ensure accountability of federal funds and resources. IMLS also recognizes technology can enhance effectiveness and efficiency and ensure an adequate degree of internal control and compliance with applicable laws and regulations.

Consistent with operating procedures and pursuant to the Federal Managers' Financial Integrity Act of 1982, the Chief Financial Officer requested each office head to conduct an internal review of their activities to identify possible deficiencies in management controls. IMLS senior executives closely reviewed these plans and provided written statements of their findings. The results are reported here, within the agency's FY 2019 Performance and Accountability Report, consistent with the provisions of the Reports Consolidation Act of 2000. Based on the review process described above, IMLS provides the following assurances:

IMLS management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). IMLS conducted its assessment of the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control and Enterprise Risk Management. Based on the results of this evaluation, IMLS can provide reasonable assurance that our internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2019 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

INTERNAL CONTROL OVER FINANCIAL REPORTING

IMLS conducted an assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circulars A-123, Management's Responsibility for Internal Control and Enterprise Risk Management, and A-136, Financial Reporting Requirements. Based on the results of this evaluation and the audit report on our financial statements, IMLS can provide reasonable assurance that its internal control over financial reporting as of September 30, 2019 was operating effectively and that no material weaknesses were found in the design or operation of the internal control over financial reporting.

Respectfully submitted,

Kathryn K. Matthew

Dr. Kathryn K. Matthew

Director, Institute of Museum and Library Services

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SECTION 2

Financial Information

THE AUDITOR'S REPORT

Required Supplementary Stewardship Information

RSSI – INVESTMENT IN RESEARCH AND DEVELOPMENT (UNAUDITED)

The Institute of Museum and Library Services through the Museum and Library Services Act of 2010 has unique federal responsibilities for the “development and implementation of policy to ensure the availability of museum, library and information services adequate to meet the essential information, education, research, economic, cultural and civic needs of the people of the United States.” The law charges IMLS with advising the President and Congress on library, museum, and information services and with supporting a wide range of programming that impacts the lives of millions of Americans. The Grants to States program was appropriated funds in the amount of \$160,803,000 in FY 2018 for library funding to all fifty states, the District of Columbia, the U.S. territories and the Freely Associated States.

In fulfillment of those responsibilities, IMLS has invested research funding in the development of a redesign of the Grants to States Program Reporting (SPR) system to be used by the State Library Administrative Agencies (SLAAs). The SPR system will include technological and informational upgrades to the original reporting system. These upgrades will allow SLAAs to report directly into the SPR system to better categorize and share information. The benefits of improved capture and classification of data from the Grants to States program not only advances program-level evaluation but offers the states a benchmarking tool for similar projects.

The original reporting system for the Grants to States program was developed by IMLS in 2002. This legacy reporting system outlasted all estimates of determinable life. All expected users of the new SPR system are currently reporting project outcomes. In FY 2018, an enhancement was completed adding search capability of spending at the local level resulting in greater data transparency. No additional investments were made to the system in FY 2019 in order to set a baseline and gain feedback on necessary future enhancements. As additional data is reported into the new system, outcomes of additional projects captured in the system will be available for viewing by the public to understand the benefits provided to them through the recipients of IMLS funding.

Additional benefits of the SPR are that it enhances efforts to quantify non-financial and financial data, offers the states increased reporting capabilities, and allows comparisons of more standardized data from the states. Future investment is planned in FY 2020. The development expenses incurred to date for the upgraded SPR are included in the schedule below.

Fiscal Year	Expenses Incurred
2019	\$0k
2018	\$8K
2017	\$34K
2016	\$165K
2015	\$146K
Total	\$353K

SECTION 3

Other Information

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

On behalf of the Institute of Museum and Library Services, it is my pleasure to join with Director Matthew in presenting the Institute's FY 2019 Annual Financial Report. This report is a summary presentation of our financial, operational, and programmatic achievements during the past year.

The independent audit of our financial statements has been completed, and I am pleased to report that the Institute received a fourteenth consecutive unmodified opinion, with no material weaknesses. This is evidence of the organization's continued emphasis on reviewing and strengthening internal controls in accordance with requirements from central regulatory bodies of the federal government such as the U.S. Treasury and OMB.

In FY 2019, there were no significant changes or issues in the Institute's financial operations or systems. We continued our successful partnership with the Federal Aviation Administration–Enterprise Services Center (FAA-ESC) for our accounting and financial reporting services. The ability to partner with one of the Centers of Excellence designated by OMB affords us the opportunity to receive the numerous benefits a shared service provider can offer, at affordable costs. IMLS, in coordination with the ESC, continues to update our Data Act reporting architecture to implement new reporting requirements.

The agency continued to focus on creating automated, system-driven solutions to gain efficiencies and increase transparency. These changes will improve operational efficiencies, imbed additional controls in our automated processes, and optimize the use of improved technology. The agency continues to leverage the core competencies of our federal partners, including engaging with the National Endowment for the Humanities in the conversion to the eGMS grants management system. In FY 2020 the agency will be fully implemented in eGMS and expects to gain efficiencies in all phases of the grant life cycle from application submission to award close out, as well as enhanced reporting that will facilitate the agency's efforts to strengthen evaluation and research functions.

We are confident that our financial systems and operations will continue to support the Institute's mission to effectively and efficiently reach our intended outcomes. I want to extend my sincere thanks and appreciation to all of the dedicated staff at IMLS whose commitment and effort made this past year a success: your work is recognized and appreciated.

Sincerely,



Christopher A. Catignani, Chief Financial Officer,
November 14, 2019

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

TABLE 1: SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	Unmodified				
RESTATEMENT	NO				
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
None					
Total Material Weaknesses	0	0	0	0	0

TABLE 2: SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
STATEMENT OF ASSURANCE	UNMODIFIED					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None						
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
STATEMENT OF ASSURANCE	UNMODIFIED					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None						
Total Material Weaknesses	0	0	0	0	0	0

Conformance with financial management system requirements (FMFIA § 4)						
STATEMENT OF ASSURANCE	FEDERAL SYSTEMS CONFORM TO FINANCIAL MANAGEMENT SYSTEM					
NON-COMPLIANCE	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None						
Total non-compliances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	AGENCY	AUDITOR
Overall Substantial Compliance	Not applicable*	Not applicable*
1. Federal Financial Management System Requirements	Not applicable*	
2. Applicable Federal Accounting	Not applicable*	
3. USSGL at Transaction Level	Not applicable*	

*OMB Bulletin 14-02 states that agencies subject to the ATDA and Government Corporation Control Act are not subject to the requirements of FFMIA.

PAYMENT INTEGRITY

Risk Assessment and Systematic Sampling Method

There are only four grant programs where the entire annual budget authority exceeds \$10 million. These are: Grants to States, Laura Bush 21st Century Librarians, Library National Leadership Grants, and Museums for America. Risk factors included in the review of these programs were:

Risk Factor	Response
Whether the program or activity reviewed is new to the Agency	No programs reviewed are new to the Agency.
The complexity of the program or activity reviewed	No program or activity within IMLS is deemed complex, particularly with respect to determining the correct amounts.
The volume of payments made annually	IMLS does not make a high volume of payments annually.
Whether payments or eligibility decisions are made outside of the Agency	No payments or eligibility decisions are made outside of the Agency.
Recent major changes in program funding, authorities, practices, or procedures	No recent major changes have been made for program funding, authorities, practices, or procedures.
Training for personnel	IMLS staff are adequately trained throughout the year on current grants administration practices and policies within the Federal Government.
Significant deficiencies in audit reports	There have been no significant deficiencies in any audit report that might hinder accurate payment certification.
Results from prior improper payment work	A review of improper payments is done each fiscal year and there have been no findings on significant improper payments.

None of these grant programs is considered susceptible to significant erroneous payments or qualifies as “risk susceptible” based on OMB guidance thresholds. The Grants to States program grants are awarded yearly to each of the 50 states, the District of Columbia, the U.S. territories and the Freely Associated States. The recipient is the State Library Agency of each state or territory and does not change from year to year. The other three programs follow the IMLS discretionary grant process and each institution is pre-determined for eligibility (as are applicants to all our grant programs).

To identify payments that were erroneously paid, a review of all FY 2019 grant payments was performed. In FY 2019, there were erroneous payments totaling approximately \$38,081 or .014 percent of the agency outlays of \$211.93 million for grant programs. The primary cause of these payments was supplier identification issues where an incorrect supplier was paid. As of September 30, 2019, IMLS has recovered 100 percent of these payments. In FY 2018, there were overpayments totaling approximately \$185,489 or .09 percent of \$208.78 million for grant programs. As of September 30, 2019, IMLS had recovered 100 percent of these payments. There were no underpayments in the review of the FY 2019 and FY 2018 payments.

In accordance with the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), the FY 2019 administrative expense review included vendor payments and employee travel costs but did not include payroll costs because the actual disbursement of payroll costs to employees is fully the responsibility of our shared service provider. Interagency agreement payments are also not included. The

total administrative improper payments as of September 30, 2019 was \$300 for vendor invoices. As of September 30, 2019, IMLS has recovered 100 percent of these payments. Improper interest charges on honorarium payments in the amount of \$241, however 100% of these have been recovered as of September 30, 2019. Contracting and travel interest charges in the amount of \$163 have been included in the administrative expense review. These funds are not subject to recapture and will not be recovered. The total administrative improper payments as of September 30, 2018 was \$4,253. This amount included improper payments of \$3,391 for vendor invoices and \$862 in improper travel reimbursement payments. As of September 30, 2019, IMLS has recovered 31.8 percent of these payments. The majority of this amount is for vendor improper payments that were incurred due to discounts not taken on invoices. These funds are not subject to recapture and will not be recovered. There were no underpayments in the review of the FY 2019 and FY 2018 administrative activity outlays.

Corrective Actions

While IMLS has determined that no programs are susceptible to significant erroneous payments, it has continued to strengthen its preventative controls prior to disbursement of grant and administrative payments. In FY 2019, IMLS, along with its financial management shared-service provider continued the use of the Batch Processing function of OMB’s Do Not Pay Solution. If a payment is paid in error and deemed improper, IMLS can immediately collect those funds. IMLS reviews 100 percent of reimbursement or advance grant payment requests before a disbursement is made.

Improper Payment Reporting Tables

PROGRAM OR ACTIVITY	PY OUTLAYS	PY IP%	PY IP\$	CY OUTLAYS	CY IP%	CY IP\$
Grants	\$208.77M	0.089%	\$.185M	\$211.93M	0.014%	\$.031M
Administrative	\$ 5.86M	0.006%	\$.004M	\$ 6.48M	0.005%	\$.0003M
Total	\$214.63M		\$.189M	\$218.41M		\$.0313M

PROGRAM OR ACTIVITY	CY+1 EST. OUTLAYS*	CY+1 IP%	CY+1 IP\$	CY+2 EST. OUTLAYS	CY+2 IP%	CY+2 IP\$	CY+3 EST. OUTLAYS	CY+3 IP%	CY+3 IP\$
Grants	\$212.00M	0.01%	\$.021M	\$212.00M	0.005%	\$.011M	\$212.00M	0.000%	\$.000M
Administrative	\$ 6.50M	0.00%	\$.000M	\$ 6.00M	0.000%	\$.000M	\$ 6.00M	0.000%	\$.000M
Total	\$218.50M		\$.021M	\$218.00M		\$.011M	\$218.00M		\$.000M

*Outlays do not match to the President's Budget due to payroll and interagency agreement outlays not reflected.

Table 2: Overpayments Recaptured Outside of Payment Recapture Audits

AGENCY SOURCE: (POST-PAYMENT REVIEWS)	AMOUNT IDENTIFIED (CY)	AMOUNT RECAPTURED (CY)	AMOUNT IDENTIFIED (PY)	AMOUNT RECAPTURED PY	CUMULATIVE AMOUNT IDENTIFIED (CY+PYS)	CUMULATIVE AMOUNT RECAPTURED (CY+PYS)
Grants	\$.031M	\$.031M	\$.185M	\$.185M	\$.216M	\$.216M
Administration	\$.0003M	\$.0003M	\$.004M	\$.001M	\$.0043M	\$.0013M
Total	\$.0313M	\$.0313M	\$.189M	\$.186M	\$.2203M	\$.2173M

AGENCY REDUCTION OF IMPROPER PAYMENTS WITH THE DO NOT PAY INITIATIVE

An important part of the IMLS's program integrity efforts designed to prevent, identify, and reduce improper payments is integrating Treasury Department's Do Not Pay (DNP) Business Center into our existing processes. IMLS utilizes the DNP Business Center to perform online searches, screen payments against the DNP databases, and augment OFM's data analytics capabilities.

IMLS follows established pre-enrollment, pre-award, and pre-payment processes for all acquisition and financial assistance awards. Pre-enrollment procedures include cross-referencing applicants against General Services Administration's (GSA) System for Award Management (SAM) exclusion records. We also review federal and commercial databases to verify past performance, federal government

debt, integrity, and business ethics. As part of our pre-award process and prior to entering into an agreement, we require recipients of financial assistance to verify the entities they transact with are not excluded from receiving federal funds. For pre-payment processes, ESC verifies an entity against both SAM and the Internal Revenue Service's Taxpayer Identification Number (TIN) Match Program before establishing them as a vendor in our core financial accounting system.

Using the DNP Business Center helps IMLS to improve the quality and integrity of information within our financial system. ESC engaged the DNP Analytics Services to match our vendor records with the Death Master File (DMF) which enabled them to classify the vendor records into risk-based categories for further evaluation. ESC deactivated the highest risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.

The IMLS performs post-payment reviews to adjudicate conclusive matches identified by the DNP Business Center. The monthly adjudication process involves verifying payee information against internal sources, reviewing databases within the DNP Business Center, and confirming whether IMLS applied appropriate business rules when the payments was made.

The upgrade by the DNP Business Center to improve its capabilities by automating the

adjudication process through the DNP portal and providing better matching against SAM in the prior year has resulted in efficiencies. ESC is up to date on reviews based on DNP's automated adjudication process.

More detailed information on improper payments and all of the information previously reported in the agency's PAR that is not included in this year's AFR can be accessed at <https://paymentaccuracy.gov>.

Table 3: Implementation of the Do Not Pay Initiative to Prevent Improper Payments

	NUMBER (#) OF PAYMENTS REVIEWED FOR IMPROPER PAYMENTS	DOLLARS (\$) OF PAYMENTS REVIEWED FOR IMPROPER PAYMENTS	NUMBER (#) OF PAYMENTS STOPPED	DOLLARS (\$) OF PAYMENTS STOPPED	NUMBER (#) OF IMPROPER PAYMENTS REVIEWED AND NOT STOPPED	DOLLARS (\$) OF IMPROPER PAYMENTS REVIEWED AND NOT STOPPED
Reviews with the DMF and SAM	4,604	\$211.93M	0	\$0	0	\$0

FRAUD REDUCTION REPORT

IMLS conducts an annual survey of all office heads to review and respond on all core agency and office specific functions for reported or suspected fraud, waste, or abuse. Both the FY 2019 and FY 2018 surveys resulted in no responses that would indicate any fraud. The agency established a Risk Management Committee in FY 2018, which monitors the status of active projects and continues to propose top priorities for a risk management review to the Leadership Team. A cross-agency review of grant management pre-award activities was initiated in FY 2019. In FY 2020, new grant monitoring and tracking reports will be developed and made available to staff through the new electronic grants management system.